

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

IN THE MATTER OF
UNION FINANCIAL SERVICES
GROUP, INC., et al.¹

Debtors.

CASE NUMBER 03-45870-399

IN PROCEEDINGS UNDER CHAPTER 11

HONORABLE BARRY S. SCHERMER
UNITED STATES BANKRUPTCY
JUDGE

SETTLEMENT AGREEMENT
RESPECTING ENVIRONMENTAL
OBJECTIONS TO DEBTORS' THIRD
AMENDED JOINT PLAN OF
REORGANIZATION

SETTLEMENT AGREEMENT RESPECTING ENVIRONMENTAL
OBJECTIONS TO DEBTORS' THIRD AMENDED JOINT
PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

WHEREAS, on May 2, 2003 Union Financial Services Group, Inc. filed a petition for reorganization under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101 et seq., as amended (the "Bankruptcy Code");

WHEREAS, on May 12, 2003 (the "Petition Date") the remaining Debtors filed petitions for reorganization under Chapter 11 of the Bankruptcy Code;

^{1/} The Debtors include: Union Financial Services Group, Inc.; Outsourcing Solutions Inc.; RWC Consulting Group, LLC; Greystone Business Group, LLC; Coast To Coast Consulting, LLC; PAE Leasing, LLC; Pacific Software Consulting, LLC; University Accounting Service, LLC; North Shore Agency, Inc.; OSI Portfolio Services, Inc.; Perimeter Credit L.L.C.; Gulf State Credit, L.L.C.; OSI Support Services, Inc.; OSI Collection Services, Inc.; Jennifer Loomis & Associates, Inc.; Asset Recovery & Management Corp.; Grable, Greiner & Wolff, Inc.; Indiana Mutual Credit Association, Inc.; Qualink, Inc.; Professional Recoveries Inc.; Payco American International Corp.; OSI Outsourcing Services International, Ltd.; The Union Corporation; OSI Outsourcing Services, Inc.; Transworld

WHEREAS, the Debtors have filed a plan of reorganization in the above case, the most recent version of which is referred to as the Third Amended and Restated Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, as Modified (the "Plan");

WHEREAS, all capitalized terms not otherwise defined in this Settlement Agreement, but defined in the Plan, shall have the same meaning herein as set forth in the Plan;

WHEREAS, the Cottman Avenue Steering Committee ("CASC") filed a timely proof of claim in this case for response costs its members have incurred under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. § 9601 et seq.;²

WHEREAS, the Debtors filed on August 27, 2003, a Motion for (I) Order Estimating Any Administrative Claim That May be Asserted by the Environmental Protection Agency ("EPA") in Aid of Plan Confirmation; and (II) Hearing on Shortened Notice ("Estimation Motion");

WHEREAS, the Debtors filed timely objections to the claims of CASC;

WHEREAS, CASC, the City of Philadelphia (the "City"), the Pennsylvania Department of Environmental Protection ("PADEP"), and the United States on behalf of EPA (collectively, "the Environmental Objectors") filed timely objections to the Plan asserting, *inter alia*, that certain obligations of the Debtors to abate an alleged imminent and substantial endangerment at the Cottman Avenue Superfund Site ("Cottman Site") were non-dischargeable and that the Plan

Systems Inc.; American Recovery Company, Incorporated; C.S.N Corp.; General Connector Corporation; U.C.O.-M.B.A Corporation; UCO Properties, Incorporated; and Union-Specialty Steel Casting Corporation.

^{2/} For purposes of this Settlement Agreement and its exhibits, the word "response" shall have the meaning set forth in Section 101(25) of CERCLA, 42 U.S.C. § 9601(25).

did not meet the feasibility requirements of 11 U.S.C. § 1129(a)(11) because the Plan did not provide adequate resources to abate the same;

WHEREAS, the Debtors have disputed these and all other objections to the Plan advanced by the Environmental Objectors;

WHEREAS, an estimation hearing was held on September 26, 2003, at which the United States, on behalf of EPA, put on evidence as to EPA's claim for response costs incurred under Section 104(a) of CERCLA, 42 U.S.C. § 9604(a), from the Petition Date through an anticipated Plan confirmation date, at the Cottman Site, which is owned by The Union Corporation ("Union") and U.C.O.-M.B.A. Corp. ("Metal Bank"), as debtors and debtors in possession;

WHEREAS, at the same estimation hearing, EPA put on evidence as to EPA's contingent unliquidated claim for CERCLA response costs that EPA is at risk to incur at the Cottman Site and at three other facilities owned by Debtors – the State Road Site in Philadelphia, Pennsylvania, the Mercer Springs Site in Crawford County, Pennsylvania, and the Penn Hills Site, near Verona, Pennsylvania (collectively, with the Cottman Site, the "Four Sites") – during the period following the anticipated confirmation of the Plan;

WHEREAS, the Bankruptcy Court ("Court") estimated EPA's administrative expense claim arising from the Petition Date through an anticipated Plan confirmation date at \$479,998.70 (the "EPA Allowed Administrative Claim");

WHEREAS, the Court estimated EPA's claims arising after the anticipated date of confirmation of the Plan at \$13,235,308 for the Cottman Site, \$1,300,000 for the State Road Site, and zero for the remaining two sites, amounting altogether to \$14,535,308 ("EPA Post-Confirmation Claim");

WHEREAS, the Court announced, at the October 3, 2003 hearing on confirmation of the Plan (the "Confirmation Hearing"), its intention to confirm the Plan ("Confirmation Order"), subject to the submission of proposed findings of fact and conclusions of law by the Debtors and the Delaware Street Master Capital Fund, which presented certain objections to confirmation of the Plan to this Court during the Plan confirmation hearing;

WHEREAS, the Court issued its order confirming the Plan on October 15, 2003;

WHEREAS, New OSI Corp. ("Newco") will be formed, *inter alia*, to acquire the Reorganized Subsidiaries, which were directly or indirectly owned on the Petition Date by Outsourcing Solutions Inc. ("Old OSI"), and which have been owned during the administration of this case by Old OSI;

WHEREAS, on or before the Effective Date of the Plan, Newco will enter into the New Credit Agreement with Credit Suisse First Boston LLC, Cayman Islands Branch, as the Administrative Agent for the New Senior Secured Lenders under the New Credit Agreement (in such capacity, the "Administrative Agent");

WHEREAS, the aggregate principal amount of the credit facilities (the "New Obligations") under the New Credit Agreement will be \$175,000,000;

WHEREAS, the Union Trust will be formed on or about the Effective Date of the Plan in order, *inter alia*, to hold the Four Sites for the benefit of persons who expend resources or monies after the Petition Date with respect to environmental response actions at those properties, including the investigation and remediation of environmental contamination and who are not otherwise reimbursed pursuant to this Agreement; and

WHEREAS, the parties hereto, without admission of liability by any party, and in accordance with the representations made in open Court during the Confirmation Hearing, desire to settle, compromise and resolve on a final basis all Claims of the Environmental Objectors against the Debtors, including the EPA Allowed Administrative Expense Claim, EPA's Post-Confirmation Claim, CASC's Claims, future costs in connection with the Four Sites and the Environmental Objectors' objections to the Plan;

NOW THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration receipt of which is hereby acknowledged;

IT IS HEREBY STIPULATED and agreed to by and between each Environmental Objector, the Debtors, the Administrative Agent, and the Union Trust, subject only to approval by the Court, as follows:

1. In full satisfaction, payment and discharge of the EPA Allowed Administrative Claim, the Debtors shall pay to EPA on the Effective Date the sum of \$479,998.70.

2. Payment of the EPA Allowed Administrative Claim shall be made by FedWire Electronic Funds Transfer ("EFT") to the U.S. Department of Justice account in accordance with current EFT procedures, referencing USAO File Number 1987V00255, EPA Site ID No. PAD046557096 and DOJ number 90-11-2-1183/1. Payment shall be made in accordance with instructions provided to the Debtors by the Financial Litigation Unit of the United States Attorney's Office for the Eastern District of Pennsylvania. Any payments received by the Department of Justice after 4:00 p.m. (Eastern Time) will be credited on the next business day. At the time of payment, Debtors shall send copies of documentation of the wire transfer to the United States and to the

Regional Docket Clerk (3RC00), United States Environmental Protection Agency, Region III,
1650 Arch Street, Philadelphia, PA 19103-2029.

3. In full satisfaction, payment and discharge of the EPA Post-Confirmation Claim, Newco shall pay to the Union Trust \$1 million in Cash (the "Initial Payment") and \$13,535,308 (the "Payment Obligations"), in accordance with the terms and schedule of the Chapter 11 Discharge Order Funding Agreement ("Funding Agreement"), attached hereto as Exhibit 1 and incorporated in this Settlement Agreement. Notice of any payments made to EPA shall be provided to the Regional Docket Clerk, (3RC00), United States Environmental Protection Agency, Region III, 1650 Arch Street, Philadelphia, PA 19103-2029. Proceeds of the Initial Payment and Payment Obligations may be distributed from an EPA Site Account or an account specified by the EPA Designee only to EPA or any persons or entities designated and identified in a notice delivered by EPA to the Union Trust as entitled to submit a Disbursement Notice in accordance with the Funding Agreement ("EPA Designee(s)"), for CERCLA response costs incurred in connection with the Cottman and State Road Sites, allocated in each case by reference to the amounts estimated for each Site by the Court (i.e., \$13,235,308 and \$1.3 million respectively).

4. The procedure for payment of the EPA Post-Confirmation Claim shall be governed by Section 2 of the Funding Agreement.

5. Notwithstanding any other provisions in this Settlement Agreement, including Exhibit 1, the entirety of the Maximum Payment Obligation as defined in the Funding Agreement committed to be paid by Newco to the Union Trust for disbursement to the EPA or

EPA Designee(s) must remain dedicated to the funding of response actions or reimbursement of response costs incurred after the Confirmation Date at the Cottman Site and investigation activities at the State Road Site, allocated in each case in accordance with the amounts (i.e., \$13,235,308 and \$1.3 million respectively) estimated for each by the Court until: completion of all response actions at the Cottman Site and the Remedial Investigation/ Feasibility Study ("RI/FS") at the State Road Site; EPA's release of any funds remaining in the Union Trust; or exhaustion of the funds by EPA or EPA's Designee(s).

6. Commencing on the Effective Date, Administrator shall provide the EPA and its representatives, including EPA's contractors, as well as any EPA Designees and their contractors, with access at all times to the Cottman and State Road Sites for the purpose of conducting any activity related to this Settlement Agreement including, but not limited to, the following activities:

- (a). Monitoring work done at the Cottman and State Road Sites;
- (b). Verifying any data or information submitted to the EPA regarding the Cottman or State Road Sites;
- (c). Conducting investigations relating to contamination regarding the Cottman or State Road Sites;
- (d). Obtaining samples regarding the Cottman or State Road Sites;
- (e). Assessing the need for, planning, or implementing additional response actions regarding the Cottman or State Road Sites;

(f). Assessing, at the Cottman or State Road Sites, implementation of quality assurance and quality control practices as defined in the approved Quality Assurance Project Plans;

(g). Implementing the work to be done at the Cottman or State Road Sites;

(h). Inspecting and copying non-privileged records, operating logs, contracts, or other documents maintained at the Cottman or State Road Sites;

(i). Determining whether the Cottman or State Road Sites or other property thereon is being used in a manner that is prohibited or restricted, or that may need to be prohibited or restricted, by or pursuant to this Settlement Agreement.

7. Commencing on the Effective Date, Administrator shall refrain from using the Cottman and State Road Sites, or such other property thereon, in any manner that would interfere with or adversely affect the implementation, integrity, or protectiveness of the remedial measures to be performed at the Cottman and State Road Sites by EPA or EPA Designees. The Parties hereto acknowledge that the Plan limits the Administrator's duties with respect to the Four Sites.

8. Within thirty days of the Effective Date, Debtors or Administrator shall record deed restrictions for the State Road site in a form substantially similar to the Cottman Site deed restrictions.

9. Any and all objections of the Debtors, their Reorganized Successors, Newco, Administrator, and the Union Trust to the response actions, including type, design, construction, implementation or costs of response actions, proposed to be taken or taken at the Cottman Site are withdrawn and those objections or any new objections shall not be re-asserted or asserted in

any forum. Notwithstanding this paragraph, the Administrator of the Union Trust may object to any Disbursement Notice in accordance with the terms of the Funding Agreement.

10. In consideration of all of the foregoing, including, without limitation, the payments and/or distributions that will be made and the Claims allowed pursuant to the terms of this Settlement Agreement, and except as specifically provided below:

(a). The United States, on behalf of EPA, covenants not to file a civil action or to take any administrative or other action against Newco, the Senior Secured Lenders, the New Senior Secured Lenders, Debtors, the Reorganized Subsidiaries, the Administrator, the Union Trust, and their reorganized successors (collectively, the "Reorganized Entities") pursuant to Sections 106 or 107 of CERCLA, 42 U.S.C. §§ 9606 or 9607 or Section 7003 of RCRA, 42 U.S.C. § 6973 with respect to any Site identified by the Debtors in Exhibit J to the Plan.

(b). This Settlement Agreement in no way limits, impairs, or otherwise adversely affects the scope or effect of the Debtors' discharge provided pursuant to the Plan, the Confirmation Order, and Section 1141 of the Bankruptcy Code.

(c). Without in any way limiting the covenant not to sue set forth in this Paragraph 10 and notwithstanding any other provision of this Settlement Agreement, such covenant not to sue shall also apply to the current and former members, officers, directors, employees, attorneys, advisors, representatives, accountants, financial advisors, shareholders, agents, successors, representatives, and assigns of the Reorganized Entities, but only in their capacities as such to the Reorganized Entities. This covenant not to sue does not apply to John and Irwin Schorsch, who are former officers or directors of Union or Metal Bank. The covenants not to sue under this Paragraph 10 do not extend to any persons other than the parties that are

beneficiaries of the covenants not to sue in this Paragraph 10, who are collectively referred to as the "Covered Parties."

(d). The covenants not to sue contained in this Paragraph 10 of this Settlement Agreement extend only to the Covered Parties and do not extend to any other person. Nothing in this Agreement is intended as a covenant not to sue or a release from liability for any person or entity other than the Reorganized Entities, Covered Parties, and the United States. The United States, Reorganized Entities and the Covered Parties expressly reserve all claims, demands and causes of action either judicial or administrative, past, present or future, in law or equity, which the United States, the Reorganized Entities or the Covered Parties may have against all other persons, firms, corporations, entities, or predecessors of the Debtors for any matter arising at or relating in any manner to the Sites or claims addressed herein.

(e). Notwithstanding the foregoing, the covenants not to sue contained in this Settlement Agreement shall not apply to the Parties' obligations under this Agreement or affect any action based on criminal liability.

(f). Nothing in this Settlement Agreement shall be deemed to limit the authority of the United States to take response action under Section 104 of CERCLA, 42 U.S.C. § 9604, or any other applicable law or regulation, or to alter the applicable legal principles governing judicial review of any action taken by the United States pursuant to that authority. Nothing in this Settlement Agreement shall be deemed to limit the information gathering authority of the United States under Sections 104 and 122 of CERCLA, 42 U.S.C. §§ 9604 and 9622, or any other applicable federal law or regulation, or to excuse the Debtors from any

disclosure or notification requirements imposed by CERCLA, RCRA, or any other applicable federal or state law or regulation.

11. PADEP, the City, and CASC release, waive, and covenant not to bring any Claims and injunctive remedies of any and all nature and kind against the Covered Parties, including any action under CERCLA and RCRA, 42 U.S.C. § 6901 et seq., with respect to any “facility,” within the meaning of Section 101(9) of CERCLA, 42 U.S.C. § 9601(9), on the basis of any “Claim” (as defined in the Plan).

12. EPA and CASC agree to withdraw their proofs of claim. The Confirmation Order shall have final and preclusive effect respecting the treatment of all actions for injunctive relief of EPA and the Environmental Objectors against the Debtors and all Claims including, but not limited to, future claims for costs and expenses of EPA and the Environmental Objectors against the Debtors. Notwithstanding the foregoing sentence, EPA may assert claims after the Effective Date for injunctive relief or any other relief available to it that are not discharged under the Plan or the Confirmation Order or otherwise addressed in the remainder of this Settlement Agreement.

13. The Covered Parties or their successors are entitled to such protection from contribution actions or claims as is provided by Section 113(f)(2) of CERCLA, 42 U.S.C. § 9613(f)(2), for matters addressed in this Settlement Agreement. Matters addressed under this Settlement Agreement for purposes of contribution protection include all claims or causes of action under CERCLA related to the sites identified by the Debtors in Exhibit J to the Plan, any matters as to which the Confirmation Order has final and preclusive effect and any matter subject to Paragraph 10 above.

14. The Administrator and its successors are entitled to such protection for fiduciaries as is afforded by Section 107(n) of CERCLA, 42 U.S.C. § 9607(n).

15. Newco, the New Senior Secured Lenders, the Debtors and their reorganized successors, in their capacity as such, covenant not to sue and agree not to assert any claims or causes of action against the United States with respect to any Site identified by the Debtors in Exhibit J to the Plan ("Exhibit J Sites"), including but not limited to: any direct or indirect claim for reimbursement from the Hazardous Substance Superfund, any claims for contribution against the United States, its departments, agencies or instrumentalities, and any claims arising out of response activities at the Exhibit J Sites other than as a result of a breach of this Agreement or any other document entered into by or for the benefit of the EPA. The covenant at Paragraph 10 above shall be void as to any Covered Party, in their capacity as such, who files a claim or action against the United States with respect to any of the Exhibit J Sites other than as a result of a breach of this Agreement or any other document entered into by or for the benefit of the EPA.

16. Nothing in this Settlement Agreement shall be construed to create any rights in, or grant any cause of action to, any person not a party to this Settlement Agreement, except as expressly provided within the covenant not to sue set forth in Paragraph 10 above.

17. As soon after the Effective Date as reasonably possible, the United States will file a Motion on behalf of EPA, and take any other reasonable and appropriate action, to Dismiss with Prejudice its claims against Union and Metal Bank, only, in United States of America v. Union Corp., et al., No. CIV.A. 80-1589 (E.D. Pa.). Union and Metal Bank, and CASC, and the City shall coordinate and shall file mutual releases of their claims against one another in Union Corp. as soon as reasonably possible after EPA files its Motion to Dismiss.

18. Except as otherwise expressly provided in this Agreement, the Plan or New Credit Agreement, each party to this Agreement will bear its respective expenses incurred in connection with the preparation, execution and performance of this Agreement, including all fees and expenses of agents, representatives, counsel and accountants.

19. This Settlement Agreement shall become effective and binding upon execution of all parties other than the City of Philadelphia and PADEP.

20. This Settlement Agreement may not be amended, modified or supplemented, in whole or in part, without the prior written consent of the parties hereto and the approval of the Court.

21. Each of the parties hereto agrees that the Court shall have jurisdiction over all matters arising out of or in connection with this Settlement Agreement.

22. This Settlement Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

23. This Settlement Agreement may be executed in any number of counterparts (including by telecopier), each of which shall, collectively and separately, constitute one and the same agreement.

24. If any date for the occurrence of an event or act under this Settlement Agreement falls on a Saturday or Sunday or legal holiday as defined in rule 9006 of the Federal Rules of Bankruptcy Procedure, then the time for the occurrence of such event or act shall be extended to the next succeeding business day.

FOR THE UNITED STATES OF AMERICA,

ON BEHALF OF THE U.S. ENVIRONMENTAL
PROTECTION AGENCY

Kelly A Johnson
~~THOMAS L. SANBONETTI~~

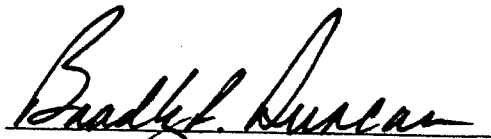
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David E Street

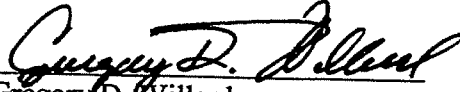
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FOR THE COTTMAN AVENUE STEERING
COMMITTEE, the members of which are:
Baltimore Gas & Electric Company, Consolidated
Edison Company of New York, Inc., Jersey Central
Power & Light Company, Long Island Lighting
Company d/b/a LIPA, Metropolitan Edison
Company, Orange and Rockland Utilities, PECO
Energy Company, Potomac Electric Power
Company, PP & L Electric Utilities Corporation,
Public Service Electric and Gas Company,
Dominion Virginia Power Company

A handwritten signature in black ink, appearing to read "Bradley R. Duncan", written over a horizontal line.

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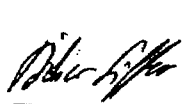
FOR CREDIT SUISSE FIRST

BOSTON LLC, as Administrative Agent for the
Senior Secured Lenders

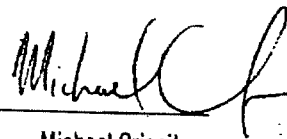
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**FOR CREDIT SUISSE FIRST
BOSTON LLC, as Administrative Agent for the
Senior Secured Lenders**



Didier Siffer
Director



Michael Criscito
Director